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Inqilis

ANNUAL REPORT 1979

HOWARD ROSS LIBRARY
OF MANAGEMENT
SEP 2 1981
MCGILL UNIVERSITY

Financial Highlights

	1979	1978
Sales	\$154,527,000	\$133,699,000
Net earnings	\$ 4,125,000	\$ 3,981,000
Per share	\$ 3.13	\$ 3.03
Dividends paid	\$ 737,000	\$ 526,000
Per share	\$.56	\$.40
Working Capital	\$ 34,528,000	\$ 30,925,000
Shareholders' equity	\$ 34,550,000	\$ 31,162,000
Per share	\$ 26.26	\$ 23.68

INGLIS LIMITED

14 Strachan Avenue, Toronto, Canada M6K 1W6

Le secrétaire, au siège social, vous fera volontiers parvenir un exemplaire du rapport annuel en français, sur demande.

Report of the Board of Directors

To the Shareholders:

Your Directors present herewith the Annual Report of your Company for the year ended December 31, 1979.

Net sales for the year ended December 31, 1979 amounted to \$154,527,000 compared to net sales of \$133,699,000 for the year ended December 31, 1978. Net earnings for 1979 were \$4,125,000 or \$3.13 per share as compared with net earnings of \$3,981,000 or \$3.03 per share for 1978.

In 1979, even though consumer demand for those major home appliances marketed by the Company declined as compared to 1978, Inglis' unit shipments increased over the previous year and the Company increased its market share in all major product lines. While net earnings improved over the previous year, the results were adversely affected by sharply escalating material costs that were only partially offset by increases in selling prices.

Some of the highlights of our 1979 operations were:

- The Company commenced the manufacture at the Toronto Plant of a Compact Washer which had been previously imported and this product made a positive contribution to sales and net earnings for the year.
- The Company acquired land adjacent to the Toronto Plant property to augment its parking and as a hedge for possible future expansion.
- A work stoppage at the Stoney Creek Plant was avoided with the ratification of a three year agreement one month prior to the expiration of the old contract, in contrast to the seventeen week strike during the preceding negotiations.
- The Company announced plans to move its Corporate Head Office from the Toronto Plant location on Strachan Avenue to a central office facility to be located between the Toronto and Stoney Creek Plants. This move will increase efficiency and improve inter-departmental communications.

Your Company regrets the loss of the strong and valuable services of Mr. Humphrey B. Style who passed away suddenly on September 21, 1979. Mr. Style served with distinction as a Director and Officer for over 28 years and made a significant contribution to the growth and success of the Company.

We regret also to say that Mr. Charles-Émile Bélanger decided during 1979 because of health reasons to retire from the Board. Mr. Bélanger gave outstanding service to this Company for over 20 years and we will miss him very much.

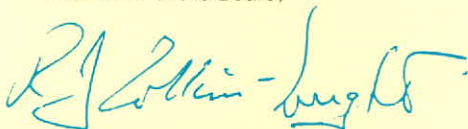
This year Mr. Hervé Belzile, C.A., President and Managing Director of Alliance Mutual Life Insurance Co., Montreal and Mr. Donald M. Pringle, Q.C., senior partner of the legal firm Lash, Johnston, Toronto each accepted an appointment to our Board of Directors. We will welcome their contribution and guidance to the Company.

Looking to the balance of 1980, current appliance industry forecasts project another relatively flat sales year with continued pressures from inflationary forces that are expected to result in higher selling prices and possible consumer restraint in the market place. However, the improvements in market share achieved by Inglis in 1979 should continue to provide a strong basis for further profitable increased sales.

The three year contract Inglis has with the union at the Toronto Plant expires March 31, 1980. Negotiations to settle a new contract are currently underway and the Company will devote its best efforts to reaching an equitable understanding with the union.

Your Directors wish to record their appreciation of the loyalty and support of the employees, customers and suppliers during the past year.

On behalf of the Board,



Robert J. Collins-Wright
President and Chief Executive Officer



Robert B. Willemin
Chairman of the Board

February 27, 1980

Balance Sheet

December 31, 1979 (with comparative figures at December 31, 1978) (000's)

INGLIS LIMITED

(Incorporated under the laws of Ontario)

Assets	1979	1978
Current assets		
Short-term notes	\$ 4,500	\$ 6,000
Accounts receivable (note 2)	10,321	10,465
	14,821	16,465
Inventories (note 2)—		
Finished products	24,281	20,625
Materials and work in process	16,695	12,364
	40,976	32,989
Deferred taxes and prepaid expenses	976	476
Total current assets	56,773	49,930
Fixed assets		
Land	1,062	645
Buildings	9,449	9,371
Equipment	18,507	17,804
	29,018	27,820
Less accumulated depreciation	14,429	12,981
	14,589	14,839
Unamortized tooling costs	1,550	1,982
Equipment under capital lease (note 3)	627	—
	16,766	16,821
	\$73,539	\$66,751

On behalf of the Board:

Robert B. Willemin, Director

Robert J. Collins-Wright, Director



Liabilities	<u>1979</u>	<u>1978</u>
Current liabilities		
Bank advances (note 2)	\$ 309	\$ 35
Accounts payable, warranties and accrued charges	17,729	14,494
Income and other taxes payable	2,450	2,970
Deferred service contract revenue	1,652	1,506
Obligation under capital lease	105	—
Total current liabilities	<u>22,245</u>	<u>19,005</u>
Provision for warranty	1,750	1,905
Deferred income taxes	2,472	2,679
Obligation under capital lease (note 4)	627	—
Less current portion	105	—
	<u>522</u>	<u>—</u>
Long-term debt (note 5)	<u>12,000</u>	<u>12,000</u>
Shareholders' equity		
Capital—		
Authorized 1,500,000 shares of no par value		
Issued 1,315,831 shares	11,814	11,814
Retained earnings	22,736	19,348
	<u>34,550</u>	<u>31,162</u>
	<u>\$73,539</u>	<u>\$66,751</u>

(See accompanying notes to financial statements)

Statement of Earnings

INGLIS LIMITED

For the year ended December 31, 1979 (with comparative figures for 1978) (000's)

	1979	1978
Sales	\$154,527	\$133,699
Earnings on operations before the undernoted	\$ 10,433	\$ 9,693
Less:		
Depreciation and amortization	2,439	2,423
Interest on long-term debt	1,320	1,320
Other interest expense (net)	225	—
	3,984	3,743
Earnings before income taxes	6,449	5,950
Income taxes	2,324	1,969
Net earnings for the year	\$ 4,125	\$ 3,981
Earnings per share	\$ 3.13	\$ 3.03

Statement of Retained Earnings

INGLIS LIMITED

For the year ended December 31, 1979 (with comparative figures for 1978) (000's)

	1979	1978
Retained earnings at beginning of year	\$ 19,348	\$ 15,893
Net earnings for the year	4,125	3,981
	23,473	19,874
Dividends	737	526
Retained earnings at end of year	\$ 22,736	\$ 19,348

(See accompanying notes to financial statements)

Statement of Changes in Financial Position

INGLIS LIMITED

For the year ended December 31, 1979 (with comparative figures for 1978) (000's)

	<u>1979</u>	<u>1978</u>
Source of funds		
Operations—		
Net earnings for the year	\$ 4,125	\$ 3,981
Add item not requiring an outlay of working capital:		
Depreciation and amortization	<u>2,439</u>	<u>2,423</u>
	<u>6,564</u>	<u>6,404</u>
Application of funds		
Additions to fixed assets (net)	1,757	1,007
Deferred income taxes	207	(18)
Decrease in long-term warranty provision	155	167
Decrease in obligation under capital lease (net)	105	—
Dividends	<u>737</u>	<u>526</u>
	<u>2,961</u>	<u>1,682</u>
Increase in working capital	3,603	4,722
Working capital, beginning of year	30,925	26,203
Working capital, end of year	<u>\$34,528</u>	<u>\$30,925</u>

(See accompanying notes to financial statements)

Notes to Financial Statements

INGLIS LIMITED

December 31, 1979

1. Summary of principal accounting policies

Inventories—

Inventories are valued at the lower of cost on a first-in, first-out basis or net realizable value.

Fixed assets—

Land, buildings and equipment are stated at cost. Depreciation is based on the estimated average useful lives of the various classes of assets, calculated on the straight-line method at rates varying from 2½% to 25%. Upon sale or retirement, the cost of the asset and the related accumulated depreciation are removed from the accounts and any gain or loss thereon is taken into earnings.

Major tooling costs are amortized over one to five years based on the estimated useful life of the tool.

Service contract revenue—

Service contract revenue is deferred on receipt and amortized over the one-year term of the service contract.

Product warranty—

The company recognizes the estimated cost of warranty obligations to the consumers of its products at the time the product is sold.

Income taxes—

As a result of differences in the timing of expenses for tax and book purposes, income taxes currently payable differ from the provision for taxes shown on the statement of earnings. Deferred taxes applicable to the current portion of warranty obligations and differences relating to current assets giving rise to current deferred taxes payable have been grouped and shown with prepaid expenses.

Leases—

Leases are classified as either capital or operating leases. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease. Assets recorded under capital leases are amortized on the same straight-line method described under the caption Fixed assets above. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

Deferred taxes applicable to the use of accelerated depreciation for income tax purposes, and to other non-current items, are classified as deferred income taxes.

Investment tax credits—

The benefits arising from the investment tax credit provisions of the Income Tax Act are treated as a reduction of the current year's income tax provision.

Foreign exchange—

Current assets and liabilities in United States currency have been converted into Canadian dollars at the rate of exchange in effect at December 31, 1979.

2. Bank advances

Accounts receivable and inventories have been pledged to the bank as security for the bank advances.

3. Equipment under capital lease

The following is an analysis of equipment under capital lease:

Equipment (cost)	\$627,000
Less accumulated amortization	Nil
	<u>\$627,000</u>

The equipment under the capital lease will be amortized on a straight-line basis over its useful life of five years. No amortization is charged in the year of acquisition.

4. Obligation under capital lease

The following is a schedule of future minimum lease payments under a capital lease expiring June 30, 1984 together with the balance of the obligation under capital lease:

Year ending December 31,	
1980	\$190,272
1981	190,272
1982	190,272
1983	190,272
1984	95,136
Total minimum lease payments	856,224
Less amount representing interest at 15%	(229,224)
Balance of the obligation	<u>\$627,000</u>

5. Long-term debt

At December 31, 1979, \$12,000,000 of 11% Secured Sinking Fund Debentures, Series "A", maturing February 1, 1994 were outstanding with sinking fund payments commencing February 1, 1981 at the rate of \$850,000 annually to 1993 and \$950,000 at maturity.

These debentures are secured by a first floating charge on the undertaking and assets of the company subject to the pledge of assets referred to in note 2. The trust indenture includes provisions relating to the level of working capital and restrictions on payment of dividends. The most restrictive of the provisions limits dividends to 70% of the net earnings accumulated after December 31, 1975. The accumulated amount (as defined) available for the payment of dividends is \$6,456,000 as at December 31, 1979.

6. Directors' and senior officers' remuneration

The aggregate direct remuneration for the year paid or payable to directors and senior officers amounted to \$586,000. Directors' fees are not paid to officers of the company who are also directors.

7. Commitments

Based on the latest actuarial valuation of the company's pension and retirement plans, it is estimated that the unfunded obligation of the company for past service pension benefits is approximately \$1,300,000. The obligation will be funded and absorbed against income by annual payments to the Trustee based upon amortization periods not exceeding thirteen years.

Auditors' Report

To the Shareholders of Inglis Limited:

We have examined the balance sheet of Inglis Limited as at December 31, 1979 and the statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada, February 15, 1980.

Clarkson Gordon
Chartered Accountants

Five Year Statistical Review 1975—1979

(In Thousands of Dollars)

INGLIS LIMITED

	1979	1978	1977	1976	1975
Operations					
Sales	\$154,527	\$133,699	\$122,644	\$121,792	\$110,498
Earnings before income taxes	\$ 6,449	\$ 5,950	\$ 1,658	\$ 5,406	\$ 5,302
Per cent to sales	4.2%	4.5%	1.4%	4.4%	4.8%
Net earnings for the year	\$ 4,125	\$ 3,981	\$ 1,343	\$ 3,080	\$ 3,068
Per cent to sales	2.7%	3.0%	1.1%	2.5%	2.8%
Per share	\$ 3.13	\$ 3.03	\$ 1.02	\$ 2.34	\$ 2.33
Earned on shareholders' equity	12.6%	13.5%	4.9%	12.0%	13.3%
Dividends paid	\$ 737	\$ 526	\$ 526	\$ 526	\$ 526
Per share	\$.56	\$.40	\$.40	\$.40	\$.40
Depreciation on buildings and equipment	\$ 1,573	\$ 1,636	\$ 1,463	\$ 1,221	\$ 1,149
Amortization of tooling	\$ 866	\$ 787	\$ 431	\$ 464	\$ 511
Additions to land, buildings and equipment—net	\$ 1,323	\$ 400	\$ 4,314	\$ 3,629	\$ 1,233
Additions to tooling	\$ 434	\$ 607	\$ 1,409	\$ 682	\$ 299
Balance Sheet					
Working capital	\$ 34,528	\$ 30,925	\$ 26,203	\$ 20,310	\$ 19,731
Ratio of current assets to current liabilities	2.55:1	2.63:1	2.40:1	1.88:1	2.28:1
Land, buildings and equipment—net	\$ 14,589	\$ 14,839	\$ 16,075	\$ 13,224	\$ 10,816
Unamortized tooling	\$ 1,550	\$ 1,982	\$ 2,162	\$ 1,184	\$ 966
Long-term debt	\$ 12,000	\$ 12,000	\$ 12,000	\$ 4,000	\$ 4,000
Shareholders' equity—					
Capital	\$ 11,814	\$ 11,814	\$ 11,814	\$ 11,814	\$ 11,814
Retained earnings	\$ 22,736	\$ 19,348	\$ 15,893	\$ 15,076	\$ 12,522
	\$ 34,550	\$ 31,162	\$ 27,707	\$ 26,890	\$ 24,336
Number of shares outstanding (in thousands)	1,316	1,316	1,316	1,316	1,316
Book value per share	\$ 26.26	\$ 23.68	\$ 21.06	\$ 20.44	\$ 18.49
Non-Financial					
Number of employees (year end)	1,932	2,090	1,881	2,070	1,933
Number of shareholders (year end)	786	842	869	929	974

Directors

Donald S. Anderson
Herbert K. Anspach
Hervé Belzile, C.A.
Sidney L. Boyar
Air Marshal Hugh Campbell, C.B.E., C.D.
Robert J. Collins-Wright
James D. Irving, M.B.E.
Douglas J. Peacher
Donald M. Pringle, Q.C.
R. Barrett Simpson
Robert B. Willemin

Bankers

The Royal Bank of Canada
Royal Bank Plaza,
Toronto, Canada M5J 2J5

Auditors

Clarkson Gordon
P.O. Box 251,
Toronto-Dominion Centre,
Toronto, Canada M5K 1J7

Transfer Agent and Registrar

Canada Permanent Trust Company
20 Eglinton Avenue West,
Toronto, Canada M4R 2E2

600 Dorchester Boulevard West,
Montreal, Canada H3B 1N6

Stock Exchanges

Common Stock of Inglis Limited
is listed on The Toronto Stock Exchange
and the Montreal Stock Exchange.

The exchange symbol for Inglis Limited is ING.

Officers

Robert B. Willemin
Chairman of the Board

Robert J. Collins-Wright
President and Chief Executive Officer

Alfred C. Chink
Vice President—Finance
and Treasurer

Gordon I. Forsell
Vice President—
Inglis and Whirlpool Sales

Peter A. Ketchum
Vice President—
Physical Distribution

Leonard G. Patterson
Vice President—
Manufacturing Operations

G. Douglas Smith
Vice President—
Personnel

Norman A. Stewart
Vice President—
Consumer Services

Edward J. Von Arb
Vice President—
Engineering

Donald H. Hobbs
Corporate Secretary

The complete Inglis product line is listed below:

automatic washers
automatic dryers
refrigerators
ranges
dishwashers
Trash Masher compactors
dehumidifiers
fuel pumps
coin operated laundry equipment
commercial icemakers

Inqlis

INGLIS LIMITED

14 Strachan Avenue, Toronto, Canada M6K 1W6

